

IRS TAX TIP 2001-72 CHILD TAX CREDIT

WASHINGTON -- With the Child Tax Credit, you may be able to reduce the tax you owe by \$500 for each qualifying child under the age of 17, according to the IRS.

A qualifying child for this credit is someone who:

- Is claimed as your dependent,
- Was under age 17 at the end of 2000,
- Is your son, daughter, adopted child, grandchild, stepchild, or eligible foster child, and
- Is a U.S. citizen or resident.

The credit is limited if your modified adjusted gross income is above a certain amount. The total credit -- not the per child amount -- is reduced by \$50 for each \$1,000 (or part thereof) that your adjusted gross income exceeds the threshold amount. The amount at which this phaseout begins varies depending on your filing status:

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| • Married filing jointly | \$110,000 |
| • Married filing separate | \$ 55,000 |
| • All others | \$ 75,000 |

The child tax credit reduces the amount of tax you owe, but cannot exceed your tax liability. For example, if after computing your tax you determine your tax is \$400, the child tax credit would be limited to that amount and would reduce your tax to zero. Any additional credit for a second child is not refundable. However, you may be able to claim the additional child tax credit if you have three or more qualifying children and you are not able to claim the full \$500 child tax credit for each child. The additional child tax credit may give you a refund even if you do not owe tax. The IRS provides a one-page worksheet (Form 8812) for you to determine if you qualify for the additional credit.

You may claim the child tax credit on Form 1040 or 1040A. Use Form 8812 to figure additional child tax credit, if necessary. Details on how to compute the credit can be found in the forms' instructions and in Publication 972, "Child Tax Credit." The forms and publications are available from the IRS Web site (www.irs.gov), at your local IRS Tax Assistance Center, or by calling 1-800-829-3676.